

Crowdbanking – The revolution of the banking world until 2020

goetzpartners study examining the consequences of social media for the financial services industry



January 2014

Crowdbanking revolutionizes banking – and banks

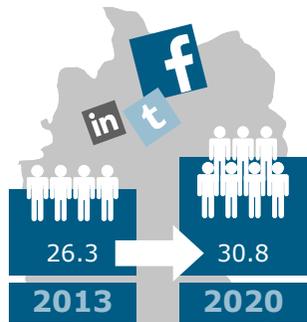
Executive Summary

- As of today, 28% of German bank customers are interested in a strong social media presence of their bank. By acquiring undecided individuals in terms of social media banking, additional 24% of potential customers could be bent to the bank. In total, 12% of all customers are interested to buy products via social media.
- When compared internationally, German banks and their efforts in terms of social media banking are clearly behind their competitors. Until now, social media is almost entirely utilized for informational purposes only. Over 30% of target customers are not satisfied with existing offerings.
- Despite the poor existing product landscape, half of the social media affine customers (around 20% of all bank customers) already use banking products via social media.
- Integrating the customers via social media in the product development is a main differentiating factor. Almost 50% of customers are currently not satisfied with existing offerings. Increasing customer satisfaction would be accompanied with regained trust in the bank as a service provider.
- If a bank does not successfully bond with its customers by means of interaction and transactions, almost 40% of customers are willing to switch to a competitor with a more appealing offer.

About this research study

- **Survey of 1,002 retail banking customers in Germany via online panel**
- Data collection period: July/August 2013
- Questionnaire design: goetzpartners
- Interview: Umfragezentrum Bonn – Prof. Rudinger GmbH (uzbonn GmbH) Gesellschaft für empirische Sozialforschung und Evaluation
- Evaluation and analysis of outcome: goetzpartners
- Authors: Burkhard Wagner, Dr. Tom Gellrich, Lennard Weghöft, Jonas Grella

Crowdbanking in numbers



Digital Natives in Germany (in mln.)



16% would **switch** for a better social media offer

44% of the pioneers



13%

28% have an interest in a **better social media presence** of their bank



12% would **buy bank products** via social media

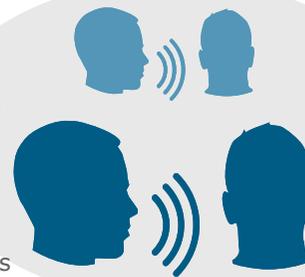


43% of the Social Media Pioneers



39% **recommend** banks and bank products in social networks

77% of the pioneers



43% **trust** advice from social networks

81% of the pioneers

What banks should do:

- 1 Provide information about products, prices and activities
- 2 Access to and overview of the financials (account, portfolio, etc.) of customers
- 3 Facilitate dialogues with the account holder and integrate customers in product development

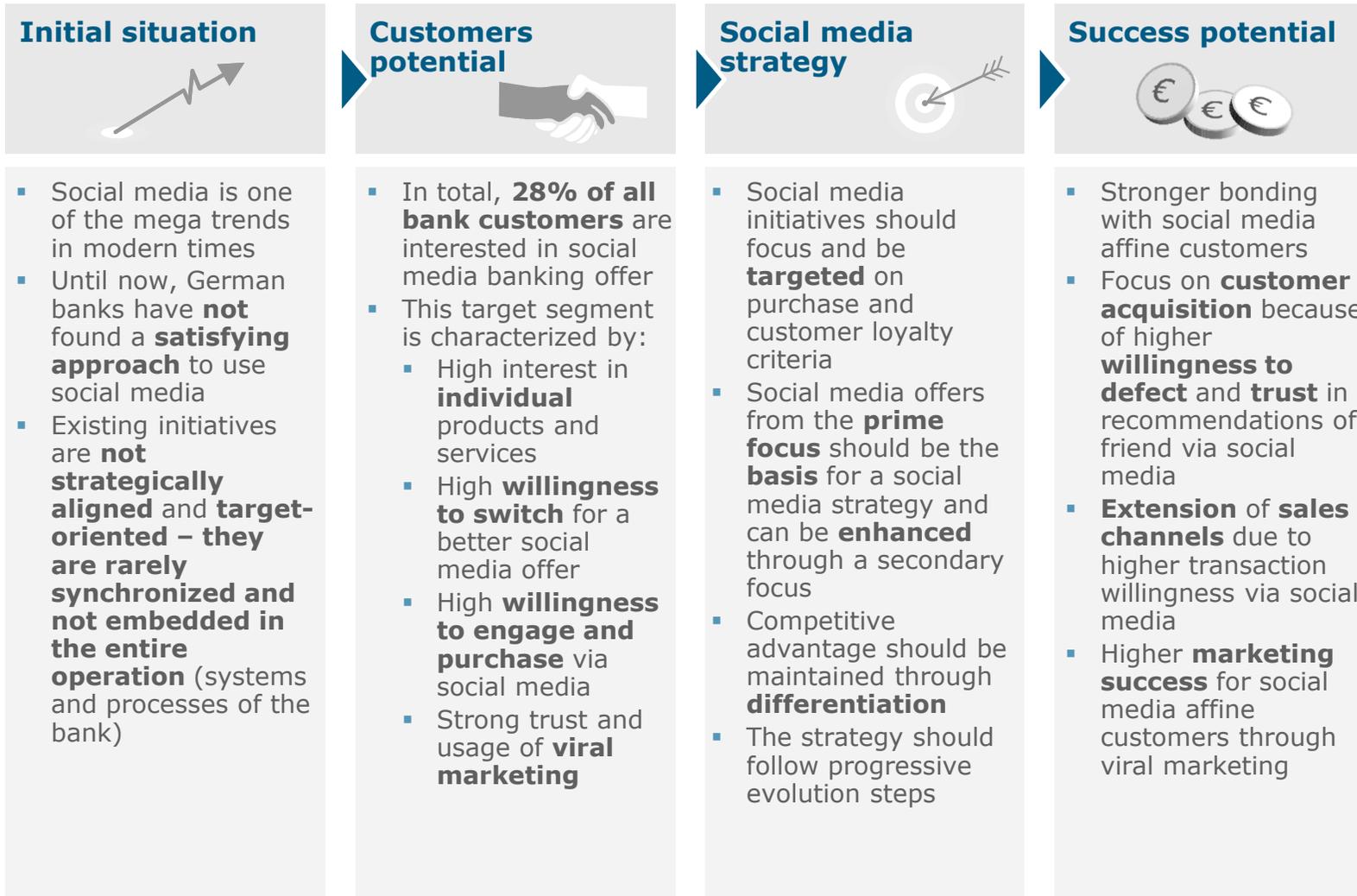


At a glance

- Our central survey results about social media and banking summarized
- A major focus lies on the results of so-called "Social Media Pioneers"
- Social Media Pioneers are very interested in a presence of their bank in social media and have concrete perceptions about social media offerings

Success factor social media: The potentials of social media for the banks are significant

Overview of the potential of social media



Recommendations for action

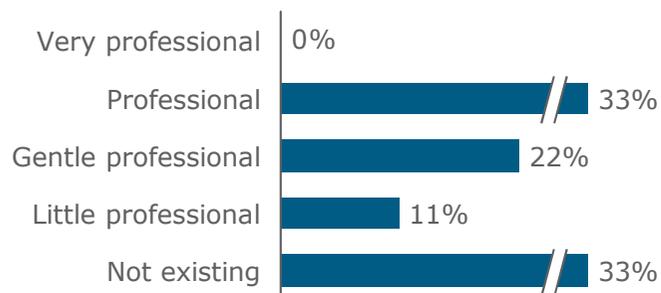
- Which **strategy** and which **objectives** you want to follow in the area of social media should be decided on C-level
- Evaluate your bank systematically for the **potential** of new customer acquisitions, serving existing customers, as well as enhancing transaction and marketing channels
- Develop possible strategies for social media in regard to your **customers needs** and combine it with your existing communication and transaction strategy

German banks are far behind in terms of social media

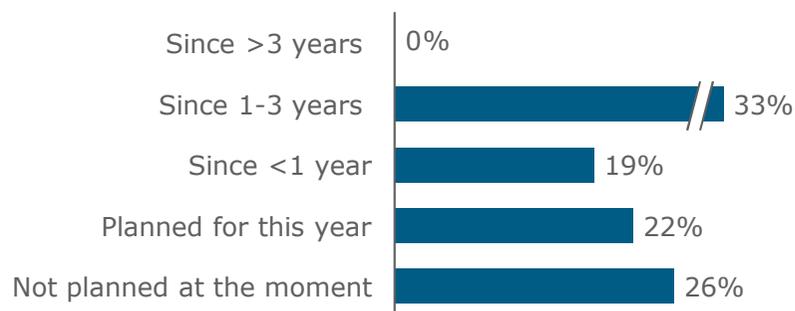
Current social media activities of financial service provider

Social media competences and benefits of German banks

How high are the social media competences of your bank?



Since how long do banks use social media?



Top 10 of worldwide best social media appearances^[1]

Rank	Bank	Score
1	Citibank	47
2	BBVA	44
2	National Australia Bank	44
3	Credit Agricole	43
3	Deutsche Bank	43
4	ING Bank	42
4	Rabobank	42
4	Standard Chartered	42
4	Wells Fargo	42
5	BNP Paribas	41
	Average Score	30

Selected social media examples:

- Social media as integrated element of the business model of the fidor bank
- LGT and Volksbank Brühl try to communicate with customers via blogs
- ASB Bank advises customers via Facebook
- Video consulting offered by Bank Austria
- Deutsche Bank has a team of 18 people for the support of retail customers via Twitter accounts
- Sparkasse campaign "Giro-sucht-Hero" had a social media focus
- Ostdeutsche Sparkasse integrated the "S-Lounge" in Schüler- und StudievZ in order to acquire younger customers

Source: goetzpartners analysis, PwC, MyPrivateBanking [1] Evaluation of the 50 worldwide leading financial institutions

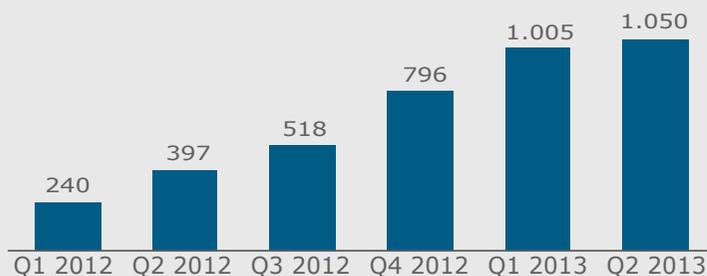
Current challenges and new competitors lead to higher pressuring change

Social media changes the market for financial services provided dramatically

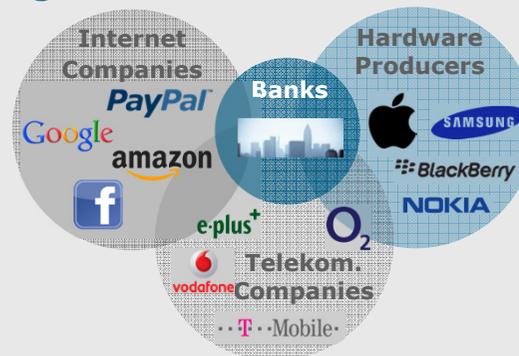
Current challenges for financial institutions



Example: "Attack" on historic business models. Collected crowdfunding capital in Germany (in k€)^[1]



Expected competitors for the classic banking business



Recommendations for action

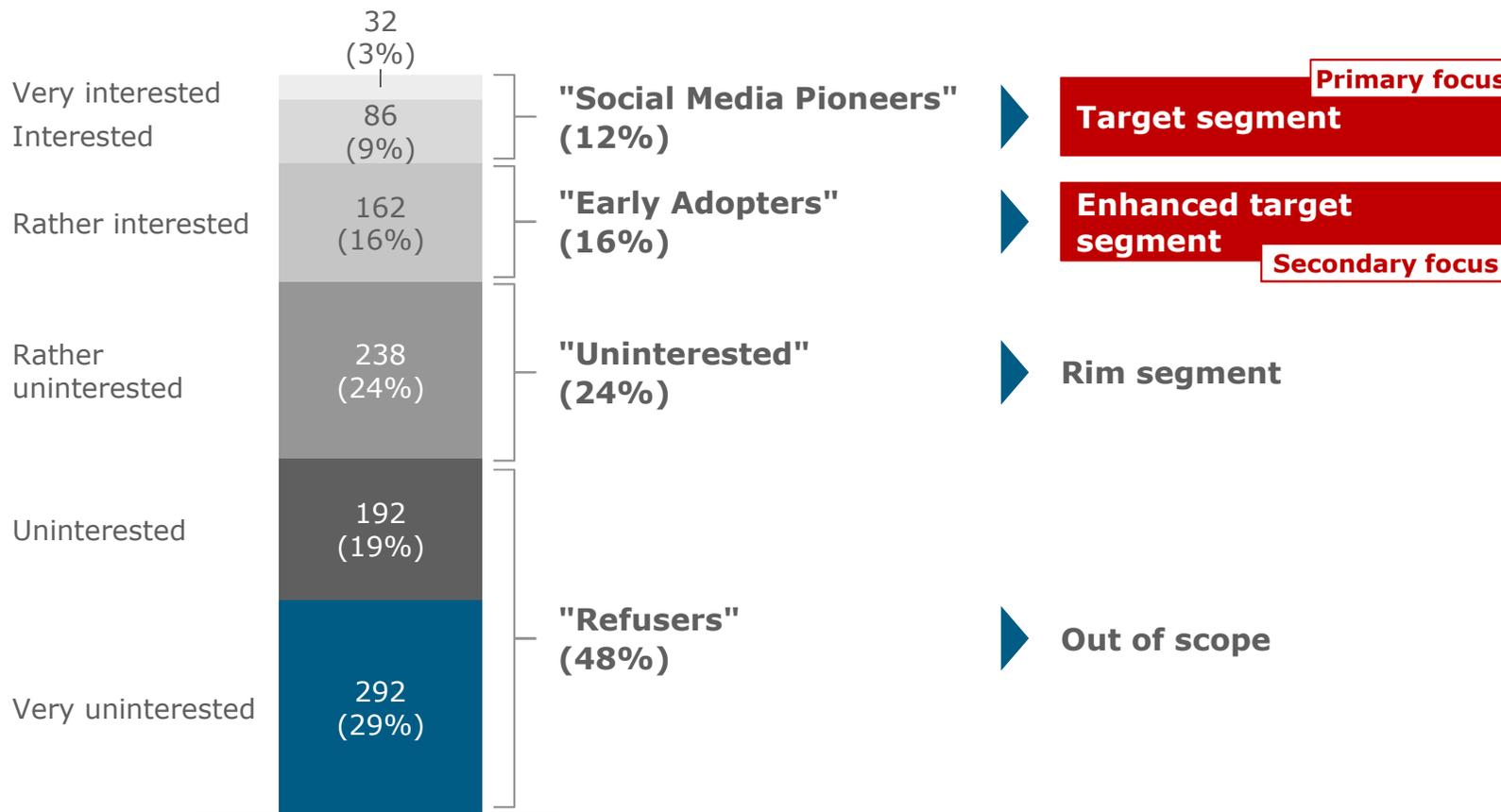
- Market protection**
 Expect the traditional business model of banks to be dramatically changed, due to changing customer behaviour, as well as new "non-banking" competitors
- Customers data**
 Use the ability to easily gain and update customer data via the usage of social media. This results in a better understanding of customers and the feasibility to enact faster (Big Data)
- Business model**
 Enhance your existing business model with new approaches which are based on social media (e.g. P2P credits)

[1] Crowd Funding Monitor, Source: goetzpartners Analyse, PWC, AT Kearney, GFT

As of today, 28% of bank customers are interested in professional social media presences

The target segment for social media offers in the banking sector

Customers segment– How interested would you be in a larger presence of your bank in social media?



Source: goetzpartners Social Media Banking Survey 2013, goetzpartners analysis

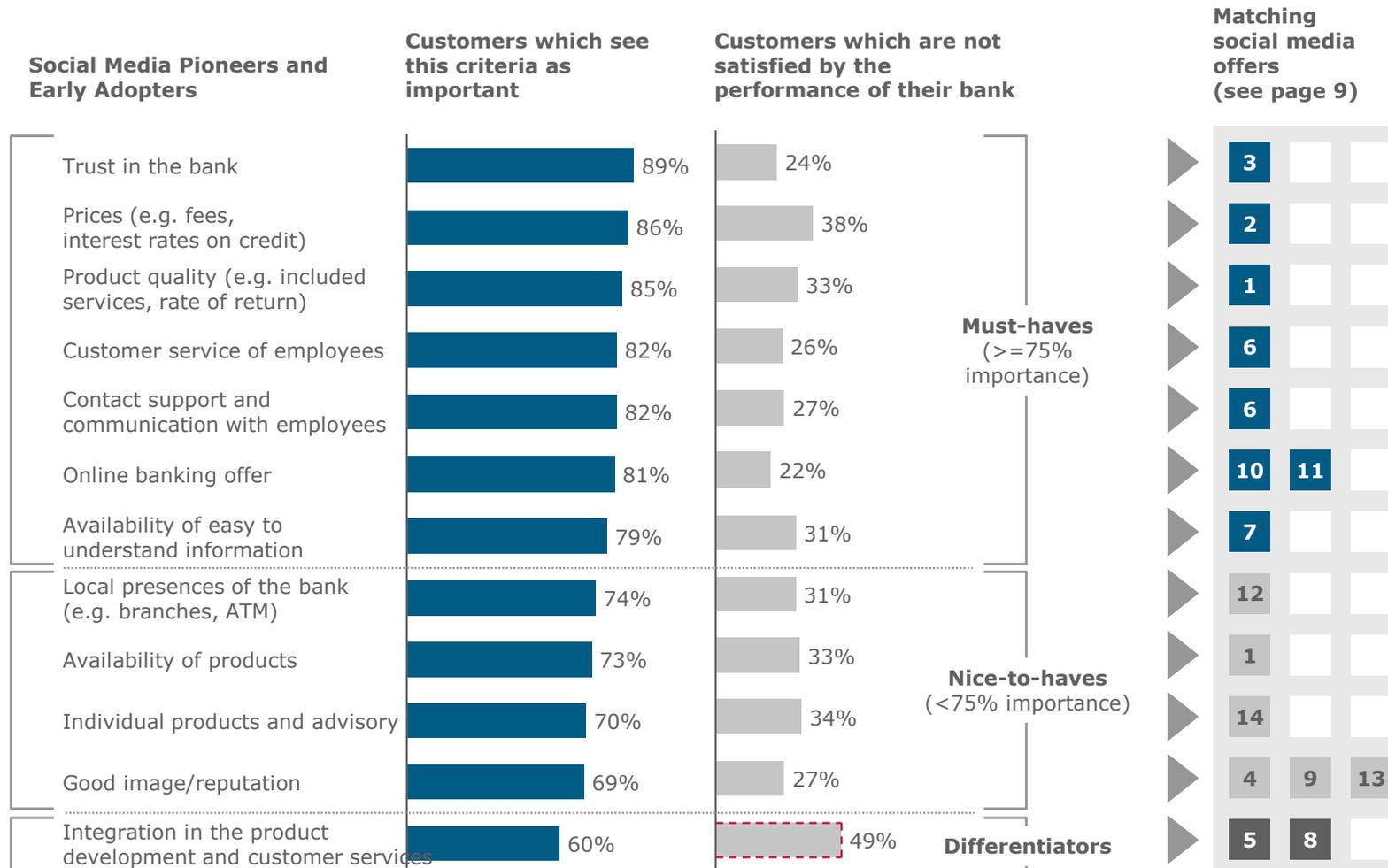
Recommendations for action

Interest in social media offers in the banking sector is still very undifferentiated, mainly due to missing Best-Practice examples

- **"Social Media Pioneers"** have concrete ideas and represent the target segment
- A further extension should be to address **"Early Adopters"**
- Social media initiatives can additionally be addressed to **"Uninterested"**, as they have enormous hidden potential
- **"Refusers"** are only a little or not at all interested in social media offers and therefore they should not be part of a social media strategy

Social media offers affect purchase behaviour and customer loyalty in different ways

Importance and potential of purchase behaviour and customer loyalty



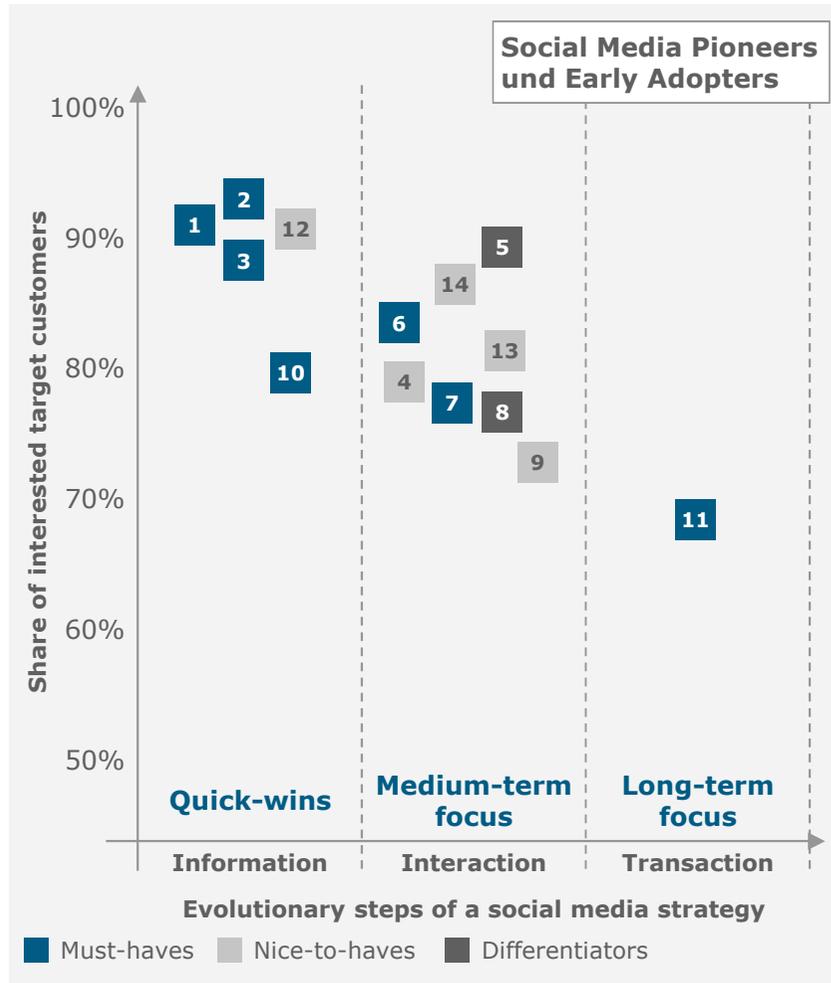
Source: goetzpartners Social Media Banking Survey 2013, goetzpartners analysis

Recommendations

- Customers orientation**
 Social media strategy should be orientated towards the customers' needs. The most important core subjects for the target customer (Social Media Pioneers and Early Adopters) are to be addressed
- Must-haves**
 Criteria which have more than 75% importance for the target customers are the core needs and are the main subject in the prime focus of the strategy
- Differentiators**
 Differentiate your offers as you address customer needs which are not covered in the market
- Nice-to-haves**
 Criteria of lower importance (<75%) are complementary to the adoption of a social media strategy

The important, the urgent and the recommendable social media measures in a comprehensive view

Suitable social media offers for Social Media Pioneers and Early Adopters



Overview of social media offers

- 1: Information about current products, services and contact details
- 2: Information about prices and fees, as well as current offers and promotions
- 3: Information over the bank (e.g. business situation, economical stability, security of the money)
- 4: Invitations to events
- 5: Possibility to assess and recommend products, services and contact persons
- 6: Exchange of contact persons and first counselling interviews
- 7: Communication with other customers regarding questions, problems and saving advices
- 8: Involvement in product development and customer services
- 9: Organization of social initiatives
- 10: Overview about own financial products (e.g. accounts information, stock portfolio)
- 11: Possibility to handle transactions (transfers, investments) over social media
- 12: Information about local availability and presences of the bank
- 13: Access and management of bonus programme
- 14: Application to find matching products, services and prices

Recommendations

- **Must-haves**
Basis offers for a successful social media strategy
- **Differentiators**
Offers which differentiate the bank within the market
- **Nice-to-haves**
Complementary offers in order to establish a broader social media offer
- **Timeline**
Due to the high necessity to link internal bank processes, systems and channels to social media on every evolutionary step, information-based offers are easier to realize in the short-run (Quick-wins), whereas interaction- and transaction-based offers should stand in the medium and long-term focus of a strategy

Source: goetzpartners Social Media Banking Survey 2013, goetzpartners analyses

Main success factors which lead to a successful social media strategy

Success potential

Existing customers 	New customers 	Viral marketing 	Sales 
<ul style="list-style-type: none"> 28% of bank customers can be stronger attached to the bank through a comprehensive social media strategy 87% of the target segment would use social media offers for information about banking products 	<ul style="list-style-type: none"> 36% of the target segment would defect, if another bank could offer a more appealing offer 47% of these customers feel better cared for with a strong social media offer 	<ul style="list-style-type: none"> 73% of the target segment would actively promote products and services via social media to friends 70% of the target segment would trust recommendations from friends more than traditional advertisement 	<ul style="list-style-type: none"> 68% of the target segment are interested to buy banking products (check accounts, credit cards) via social media 73% of the target segment have interest to execute transactions (transfers, investments) via social media
Service existing customers and counteract migration	High willingness to defect for a more attractive social media offer	Strong social-media multipliers and leverage potentials	High buy and transaction willingness

Source: goetzpartners Social Media Banking Survey 2013, goetzpartners analysis

Recommendations

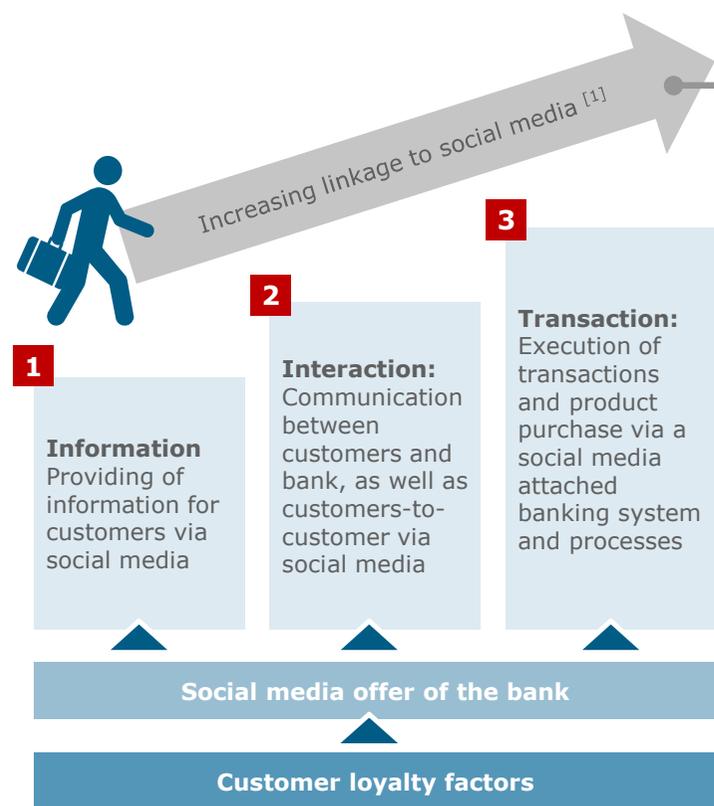
- Existing customer**
 Existing social media affine customers can be stronger committed towards the bank through an attractive social media offer. Migration of customers can therefore be counteracted.
- New customer**
 Through a significant market diversification with respect to social media, new customers can be acquired and committed towards the bank.
- Viral marketing**
 An attractive social media offer provides the possibility to exploit strong marketing multipliers and to leverage them.
- Sales**
 Social media provides the possibility to enhance existing sales channels and to develop new transaction platforms.

Crowdbanking – the evolution towards Bank 2.0

Social media should be implemented step-by-step into the bank

Social media 3-step model

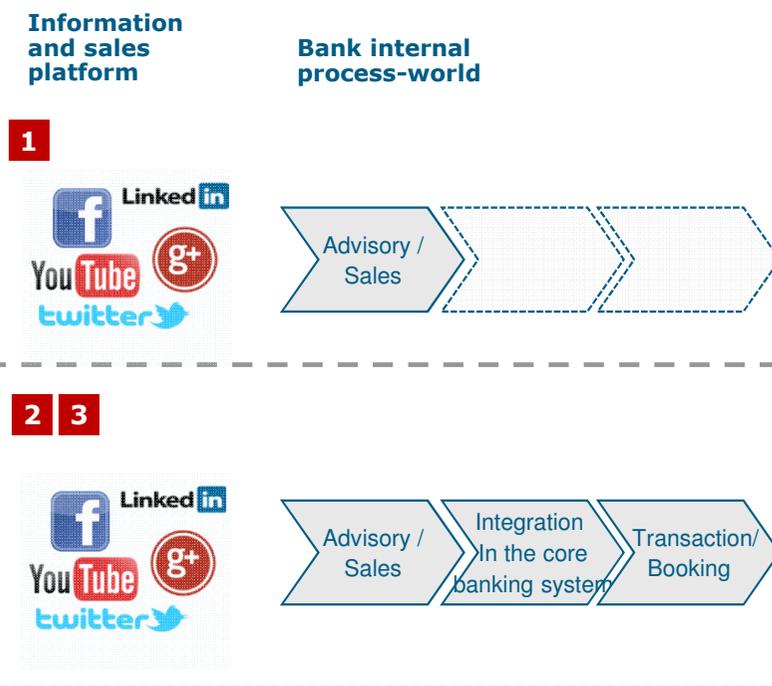
Setup of an successful social media strategy with a corresponding offer



Integration in the bank process-world

Integration of the social media offers in the banks' internal systems, processes and channels

"Inform, interact and purchase via social media"



Recommendations

Step 1: Using active consultation/sales potential via social media

Step 2: Transforming customers into the existing process-world and integrating of social media within the banks own systems and processes

1. Information

- Prices, conditions and services
- Performance of products
- Comparison of exemplary portfolios

2. Interaction

- Advice about products and services, personalised tips and investment propositions
- Segmented and customized advertisement (incl. lottery, sales promotion)

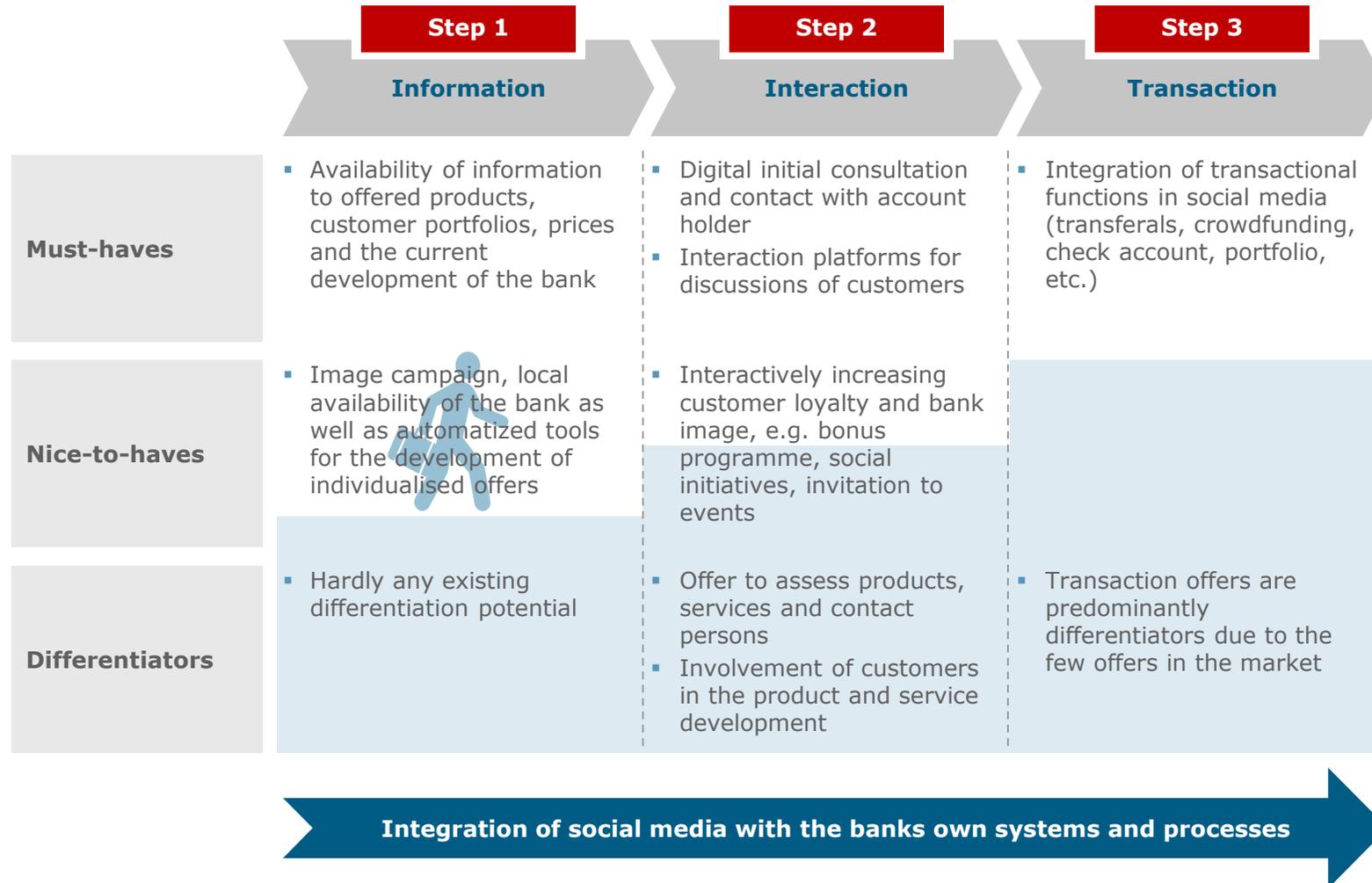
3. Transaction

- Execution of product purchase and transactions
- Crowdfinance, Social Trading
- Web payments, mobile payments, card reader

[1] Increasing necessity for the linkage of social media to banks own systems, processes and channels

The way to the Bank 2.0 – how banks develop their social media strategy

Development of a social media strategy



Source: goetzpartners Social Media Banking Survey 2013, goetzpartners analysis

Recommendations

The classification into three evolutionary steps (information, interaction, transaction) enables step-by-step development and reduces risks (e.g. costs through stronger social media linkage). Evolutionary steps could be initiated individually.

- **Must-haves:**
Basis of a social media strategy
- **Nice-to-haves:**
Complementarily design
- **Differentiators:**
Differentiation in the market

What should be prioritized with respect to social media strategy implementation

Concluding recommendations



Focus Topics

- **Marketing & Sales**
- **CRM**
- **IT & Organisation**
- **Communication & PR**

Creating Sustainable Value

About goetzpartners

goetzpartners is a leading independent European consulting company that combines M&A (mergers & acquisitions) advisory and management consulting under one roof. With this unique offering, goetzpartners provides consultancy services to companies along their entire value chain, thereby creating sustainable value for them.

goetzpartners Management Consultants concentrates mainly on the fields of strategy, operational excellence and business transformation. goetzpartners Corporate Finance focuses on consultancy concerning corporate acquisitions, disposals and mergers.

goetzpartners received several distinctions, including the title of Best Consultancy for Corporate Finance and Management Consulting (the result of a recent benchmark study by Prof. Fink in collaboration with Capital business magazine).

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